



شعار الجامعة أو المؤسسة

Cost Accounting ACCT531

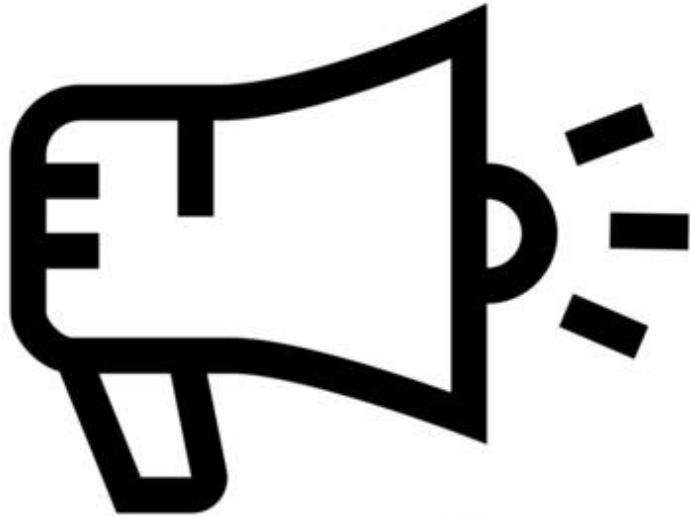
Section 01 - Spring 2022

Dr. NAME

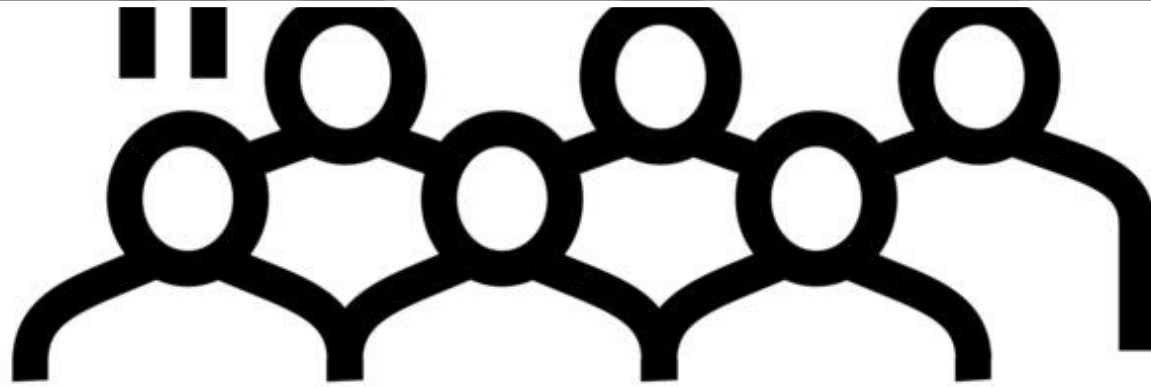
(Group 1)

STUDENT NAMES

TARGET COSTING SYSTEM



WELCOME INFORMATION



Introduction,

Conclusion

Features,
Characteristics

Benefits, Advantages
& Disadvantages,
Limitations

The Process, Stages,
Steps

Approach &
Comparison

INTRODUCTION

Target Costing



- Target costing system definition
- History of target costing system
- Objectives of target costing system



TARGET COSTING

TARGET COST = ANTICIPATED SELLING PRICE - DESIRED PROFIT



AN
EXAMPLE:

- Tinting company wants to invest \$1,000,000 to design, develop, and produce a new product. Tinting Marketing department researched the market looking into the features and prices of the competitors and came to a conclusion that the price of \$100 will help them to sell the estimate of 10,000 pieces per year. Due to that the company wants a 25% ROI, the target of the production and distribution is \$75 as computed below:

Project Sales (10,000 x \$100 per product)	\$1,000,000
Less desired profit (25% x \$1,000,000)	250,000
	<hr/>
Target cost for 10,000 products	\$750,000
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Target cost per product (\$750,000 ÷ 10,000 products)	\$75

- The \$75 target cost will be divided into different areas such as manufacturing, marketing, distribution, sales and so on. Therefore, all areas are responsible to keeping the cost within the target.

FEATURES



FEATURES

- Designing and introducing new products.

- A selling price target is established.

The target selling price is the establishment of target production volumes,

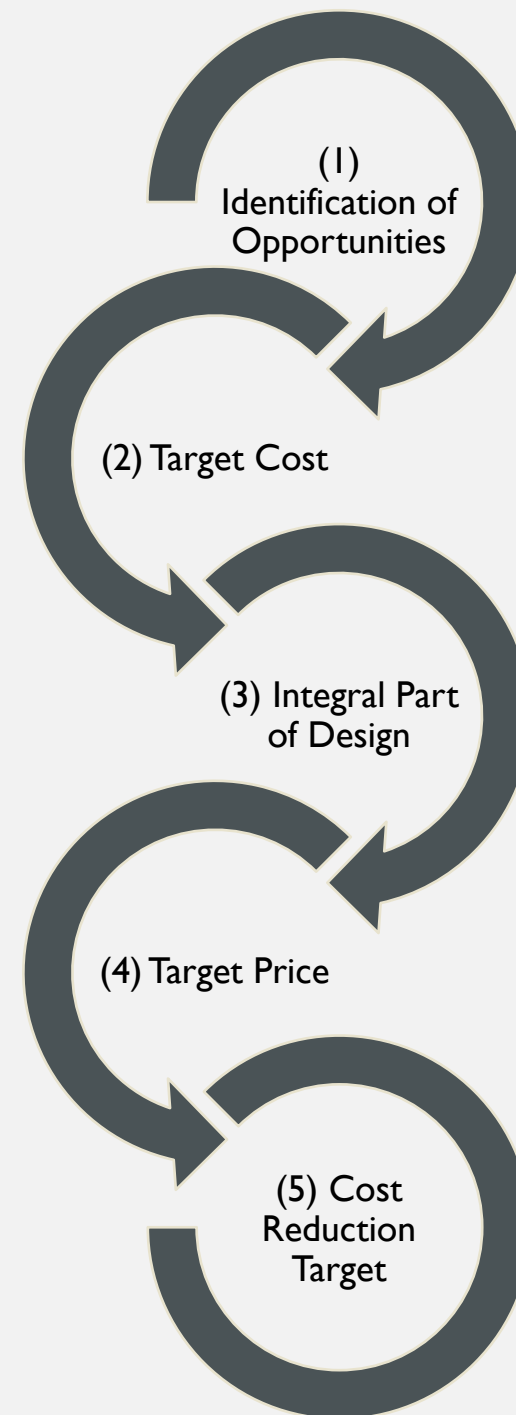
- Target costing process

- judgement / allowable cost / the target cost differ.

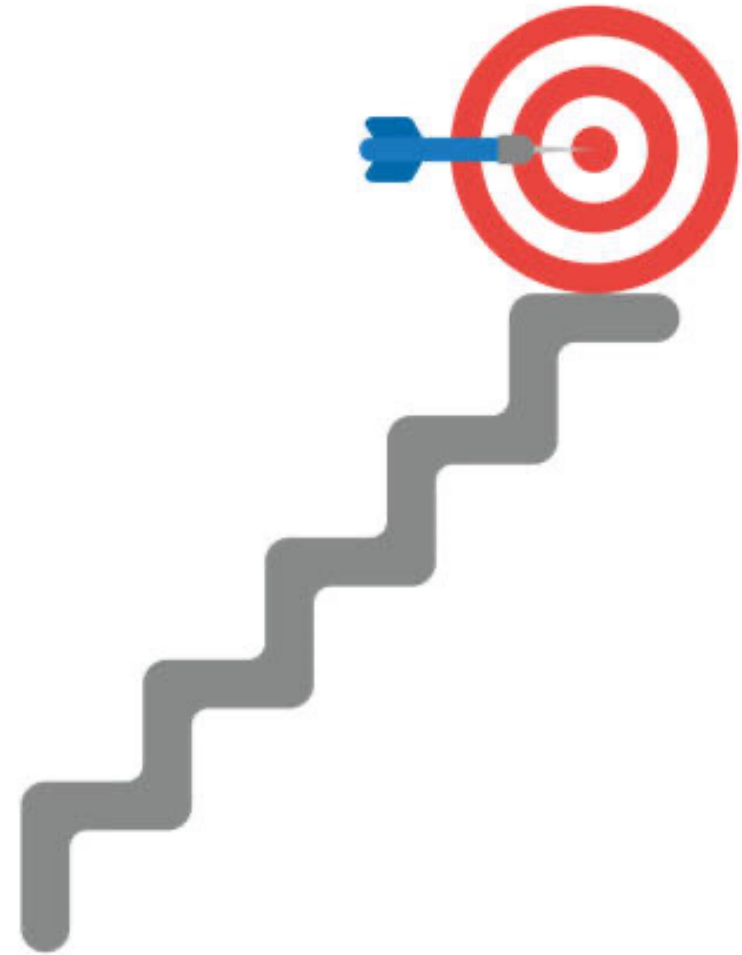


CHARACTERISTICS

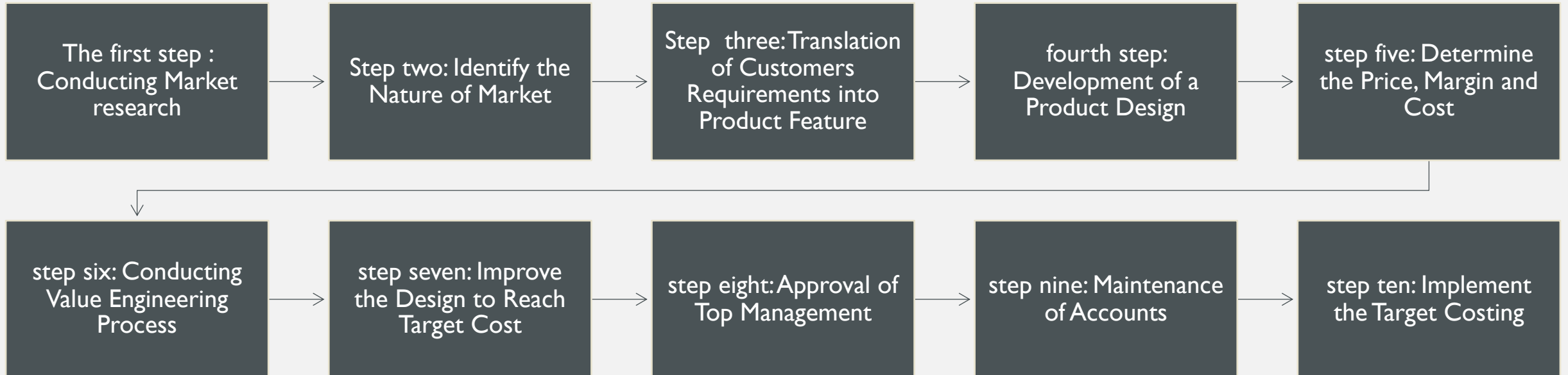
MAIN CHARACTERISTICS OF TARGET COSTING



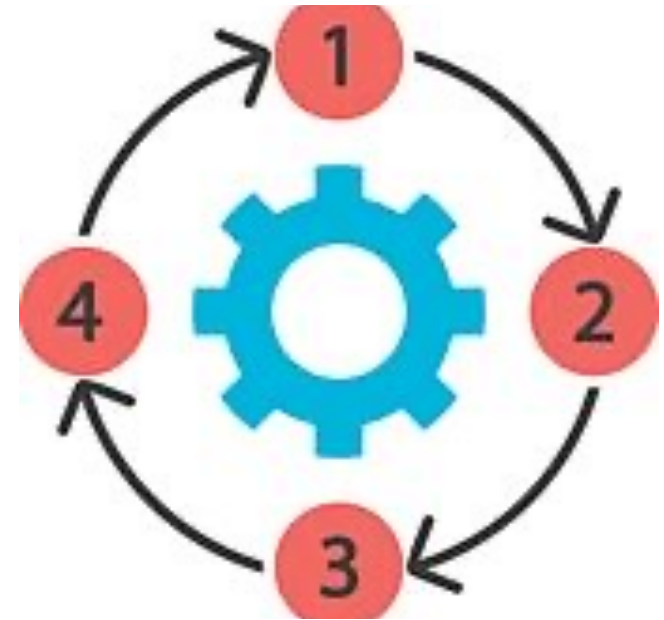
STEPS INVOLVED IN
TARGET COSTING



STEPS INVOLVED IN TARGET COSTING



STAGES



BASIC STAGES IN THE PROCESS OF TARGET COSTING



Define the Product



Set the Target



Achieve the Target



Maintain Competitive Cost

APPROACH & COMPARISON

- The approach takes in consideration 2 important factors

the
market

product
design

In a comparison with Standard cost



BENEFITS



BENEFITS



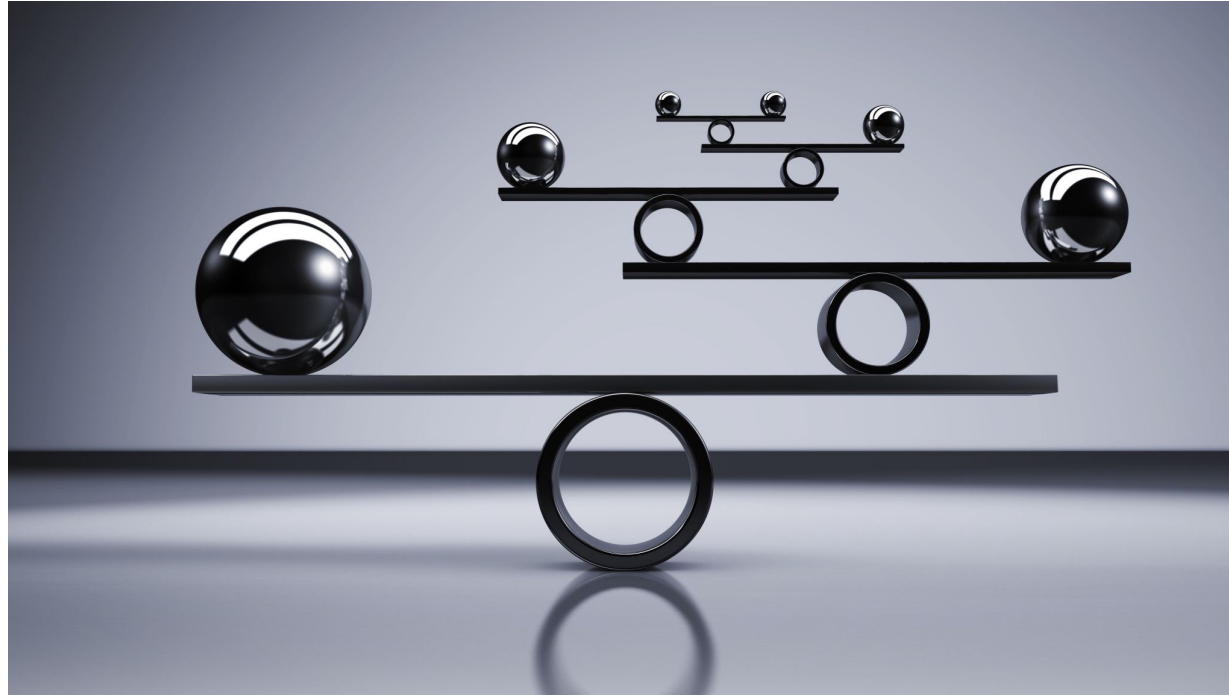
studies the market and the consumer needs before producing the product



the product is designed and priced at the consumers



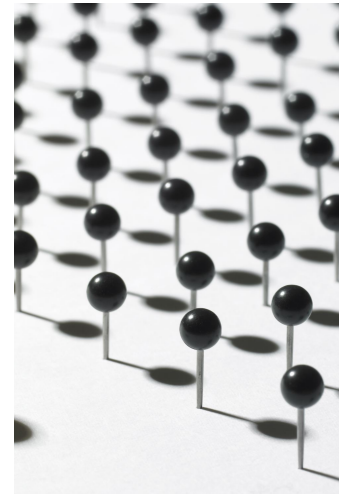
the quality of the product and the product specification is all considered and built into the selling price.



ADVANTAGES

ADVANTAGES

- it is market driven
- the product is based on the market needs
- what the consumer wants
- how much the consumer is willing to pay for the product



LIMITATIONS



TIME CONSUMING



**MUST FIND
SUPPLIERS**



**RIGHT MATERIALS
AT THE RIGHT PRICE**

CONCLUSION



profit planning and cost management system that determines the life cycle cost



Staff from many parts of the organization



the majority of businesses who used target costing said it helped them meet client needs while also lowering expenses

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THANK YOU